

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Product Transfer List
Outbound Single-Piece First-Class Mail
International Packages and Rolls

Docket No. MC2012-44

PUBLIC REPRESENTATIVE COMMENTS ON POSTAL SERVICE REQUEST
TO TRANSFER OUTBOUND SINGLE-PIECE FIRST-CLASS MAIL
INTERNATIONAL PACKAGE AND ROLLS
TO COMPETITIVE PRODUCT LIST

(August 29, 2012)

The Public Representative hereby provides comments pursuant to Order No. 1435.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Request to add a new product, titled "First-Class Package International Service" (FCPIS), to the competitive product list. Request at 1. The new product would consist of outbound international letterpost packages (small packets) and rolls. Request, Attachment C, Part B. Concurrently, the Postal Service seeks to remove packages and rolls from the market dominant product, Outbound Single-Piece First-Class Mail International, by specifying that the product shall consist only of letter and flat-shaped pieces. Request, Attachment C, Part A.

¹ PRC Order No. 1435, Notice and Order on Request to Transfer Outbound Single-Piece First-Class Mail International Package and Rolls to Competitive product List, August 16, 2012 (Request).

Both the new competitive product and revised market dominant product would be subject to the provisions of the Universal Postal Union Convention of the Universal Postal Union (UPU) applicable to letterpost.² These provisions include the Postal Service's rates of reimbursement to foreign postal administrations under the terminal dues system for the delivery of letterpost items, and the service standards applicable to such delivery.

The Postal Service presents changes to the text of the Mail Classification Schedule (MCS) that describe the new competitive product and revises the product description of the market dominant product. Request, Attachment C. The Request is also accompanied by a Statement of Supporting Justification. Request, Attachment B.

The Postal Service asserts that the small parcels and rolls that comprised the proposed competitive FCPIS product "compete in a vibrant marketplace with private sector enterprises." Request at 2. Though such parcels are currently part of the market dominant Outbound Single-Piece First-Class Mail International product, the Postal Service maintains that they satisfy "all the criteria for competitive products under section 3642" of the Postal Accountability and Enhancement Act (PAEA). *Id.* As a result, approving the Request "will recognize the competitive nature of the marketplace" for such parcels "and grant the Postal Service the pricing and negotiation flexibility enjoyed by competitors that offer comparable products." *Id.* at 3.

COMMENTS

The Public Representative has reviewed the Statement of Supporting Justification for the new product and the financial model, filed under seal, which extracts the FY 2011 volume, revenue and costs for letterpost parcels (small packets) from the Outbound Single-Piece First-Class Mail International totals. The Public Representative has also reviewed Postal Service's market research, also filed under seal, on the international parcel shipping market. Based upon that review, the Public

² See Letter Post Manual (4th Edition), Universal Postal Union, International Bureau, 2008. Letterpost is name of the UPU category of international mail that is not classified as Parcel Post or Express Mail Service (EMS). Letterpost consists of mail similar to domestic First-Class Mail, Periodicals, Standard Mail, Bound Printed Matter, and Media/Library Mail, weighing up to 2.0 kilograms (4.4 pounds).

Representative concludes that the Postal Service's Request to add First-Class Package International Service to the competitive product list satisfies the criteria set forth in 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 *et seq.*

The Postal Service's financial model confirms that for FY 2011, revenues for outbound letterpost parcels (small packets) exceeded costs, and thereby provided "ample contribution" to institutional costs. Request, Attachment B at 2. Moreover, the Postal Service's market research indicates that the new First-Class Package International Service product will become another service offering in an international shipping market currently occupied by major competitors, including FedEx, UPS, and DHL. This in turn suggests that the Postal Service will not be able to "exercise[] sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs; (2) raise prices significantly; (3) decrease quality; or (4) decrease output." 39 C.F.R. § 3020.32(d).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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